

House File 761 - Introduced

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A BILL FOR

- 1 An Act relating to inheritance taxes, by providing for an
- 2 exemption, and including applicability provisions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 450.10, Code 2019, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 7. Agricultural land, or any associated
4 farmstead, including a dwelling or other structure, which is
5 part of a farming operation passing to a farm hand is not
6 taxable under this section, if for each of the ten years prior
7 to the year in which the decedent died, all of the following
8 applied:

9 a. The agricultural land was an eligible tract that was
10 or could have qualified for the family farm tax credit under
11 chapter 425A.

12 b. The decedent held a legal or equitable interest in the
13 agricultural land and, for each of those ten years, filed a
14 schedule F as part of a form 1040 or form 1041 in accordance
15 with regulations of the United States internal revenue service.

16 c. The farming operation was undertaken for profit in which
17 revenue was received by any of the following sources:

18 (1) The sale of one or more commodities as defined in
19 section 579B.1 that were produced on the agricultural land,
20 including any activities incidental to production, or the sale
21 of products processed from the commodities, if the products
22 were processed on the agricultural land.

23 (2) Payments received from the lease of the agricultural
24 land enrolled in the conservation reserve program as described
25 in 7 C.F.R. pt. 1410.

26 d. The farm hand received internal revenue service form W-2
27 wage and tax statements for performing agricultural labor on
28 the agricultural land as part of the farming operation, and
29 for each of those ten years, the farm hand worked more than
30 one thousand two hundred hours in performing such agricultural
31 labor. As used in this paragraph, "*agricultural labor*" means
32 carrying out on a regular, continuous, and substantial basis,
33 physical labor including any related day-to-day management
34 decisions directly related to the farming operation.

35 Sec. 2. APPLICABILITY DATE. This Act applies to estates of

1 decedents dying on or after July 1, 2019.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

5 This bill amends Iowa's inheritance tax law in which
6 property owned by a person who has died (any part of the
7 decedent's estate) and passing to an heir or beneficiary,
8 regardless of whether the decedent made a will, is taxed
9 at a progressively higher rate based on the value of the
10 property. Several exemptions from the Iowa inheritance law
11 apply, including property passing to a surviving spouse or
12 certain other family members (e.g., children or grandchildren).
13 The bill creates a similar exemption for agricultural land,
14 including any associated farmstead, which passes to a farm
15 hand subject to several eligibility requirements for each of
16 the previous 10 years. The agricultural land must have been
17 eligible for the family farm tax credit, the decedent must
18 have filed a schedule F as part of a federal tax return, the
19 agricultural land must have been part of an ongoing farming
20 operation, and the farm hand must have received a wage or
21 salary for performing agricultural labor on the agricultural
22 land.

23 The bill applies to estates of decedents dying on or after
24 July 1, 2019.